

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of )  
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)  
Petition for Rulemaking to )  
Amend Part 32, Uniform System )  
of Accounts for Class A and )  
Class B Telephone Companies, )  
to Eliminate Detailed )  
Property Records for )  
Certain Support Assets )  
)

RM - 8640

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INITIAL COMMENTS OF THE  
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

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Pursuant to Sections 1.49, 1.415 and 1.419 of the Federal Communications Commission's ("FCC" or "Commission") Rules of Practice and Procedure, 47 C.F.R. Section 1.49, 1.415, and 1.419 (1992), the National Association of Regulatory Utility Commissioners ("NARUC") respectfully submits these comments on the FCC's Public Notice Inviting Comments ("PNIC") released May 10, 1995, in the above-captioned proceeding.

In support of these comments, NARUC states as follows:

I. NARUC'S INTEREST

NARUC is a quasi-governmental nonprofit organization founded in 1889. Members include the governmental bodies engaged in the regulation of carriers and utilities from all fifty States, the District of Columbia, Puerto Rico, and the Virgin Islands.

NARUC's mission is to improve the quality and effectiveness of public utility regulation in America. Specifically, NARUC is composed of, inter alia, State and territorial officials charged with the duty of regulating the telecommunications common carriers within their respective borders. These officials have the obligation to assure that such telecommunications services and facilities as are required by the public convenience and necessity are established, and that service is furnished at rates that are appropriate and reasonable.

Section 220(b) of the Communications Act of 1934, 47 U.S.C. Section 220 (1989), gives the FCC authority to establish depreciation rates as part of its authority to "...prescribe the forms of any and all accounts, records and memoranda subject to this chapter." Although, as a result of a 1986 Supreme Court case<sup>1</sup>, the FCC's actions in this docket cannot limit state action concerning intrastate depreciation rates, several states continue to rely, in part, on the FCC in establishing those intrastate rates. The so-called "three-way meeting process" has, for these states, been very productive.

Because of this potential impact on State commission procedures, and NARUC's stated goal of promoting more efficient regulation, NARUC has an interest in this proceeding.

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<sup>1</sup> Louisiana Public Service Commission v. FCC, 476 U.S. 355 (1986).

NARUC also applauds the efforts of the FCC staff over the years to involve the States in the depreciation rate prescription process, and respectfully suggests that the cooperative effort has been of mutual benefit. In particular, the three-way meeting process mentioned earlier has been very productive and should be continued.

## II. BACKGROUND

The PNIC asks for comment on the United States Telephone Associations's ("USTA's") Petition for Rulemaking ("Petition") requesting the Commission amend Part 32 of its rules to eliminate detailed continuing property records ("CPRs") for certain support asset accounts. These support assets include the items in Accounts 2115, Garage Work Equipment; 2116, Other Work Equipment; 2122, Furniture; 2123, Office Equipment; and the personal computers and peripheral equipment in Account 2124, General Purpose Computers. In place of CPRs for those accounts, USTA proposes that carriers be permitted to use a vintage amortization level ("VAL") property record system.

Under this system the net book value of existing assets in each account would be placed in a VAL group and amortized over the remaining life that results from the asset life chosen from the Commission approved ranges of lives. All new purchases would also be placed in a VAL group for each vintage for each account and amortized in the same manner.

When the assets in a VAL group are fully amortized, the assets and their associated reserves would be removed from the carrier's books. Gross salvage realized would be reflected as a decrease in amortization expense, and the cost of removal would be reflected as an increase in amortization expense.

### III. DISCUSSION

NARUC appreciates the opportunity to offer comments on the Petition. As State regulators responsible for reviewing utility depreciation rate studies, and ensuring that depreciation expenses are appropriate and reasonable, NARUC believes that accurate property records are necessary to perform statistical analyses for the development of basic life and salvage factors used in the design of depreciation rates. Such analyses are necessary for the Local Exchange Carriers ("LECs") to analyze the appropriateness of underlying basic life and salvage factors and to assure that these basic factors reflect the particular LEC's operations<sup>2</sup>.

NARUC is aware that USTA has filed another petition to increase the current limit for expensing from \$500 to \$2,000 [Docket No. 95-60]. A Notice of Proposed Rulemaking [RM-8448] ("NPRM") was adopted on May 2, 1995, and released May 31, 1995, in that proceeding. USTA raises some concerns in the Petition regarding the property record requirements for certain support assets.

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<sup>2</sup> FCC Report and Order, FCC 93-452, paragraphs 73 and 81

NARUC believes that the FCC's pending decision concerning the limit on expensing could have a direct impact on the associated administrative costs with establishing and maintaining CPRs. Of course, the larger the limit for expensing, the fewer the number of items to be maintained in the CPRs and the greater the administrative cost savings. An investigation should be conducted to determine whether the administrative burdens discussed in the Petition could be alleviated by an increase to the limit for expensing or a combination of the two proposals.

In light of the above, NARUC believes the FCC should address the Petition in concert with the NPRM. If, however, the FCC chooses not to take this approach, NARUC believes that no action should be taken on the instant petition until the NPRM is finalized.

To the extent state regulatory bodies and the FCC can come to agreement on the appropriate response, LECs operating in those states will not have to maintain separate records for intrastate purposes.

NARUC is concerned that this Petition is simply the beginning of LEC arguments to unnecessarily eliminate all CPRs. CPRs serve different purposes in the conduct of a LEC's business and, once the detailed records are eliminated, they are lost forever to both the company and the regulators.

They provide material-only costs for accounting for transfers, reallocations, and adjustments of plant. Under the present FCC regulatory scheme, CPRs provide data for jurisdictional separations, cost of service, and cost allocation studies. Without CPRs, this information will not be available. While we generally support elimination of unnecessary administrative burdens, NARUC urges the FCC to be very cautious in this area and to take a holistic approach by combining the two issues discussed above.

While the Petition addresses the treatment of retirements, gross salvage, and cost of removal in the proposed amortization process, it does not address how transfers, adjustments, or reclassifications of plant would be handled. Considering the tremendous amount of this type of activity occurring in and out of these accounts, an appropriate mechanism needs to be established prior to any implementation to prevent any cross-subsidization.

#### **IV. CONCLUSION**

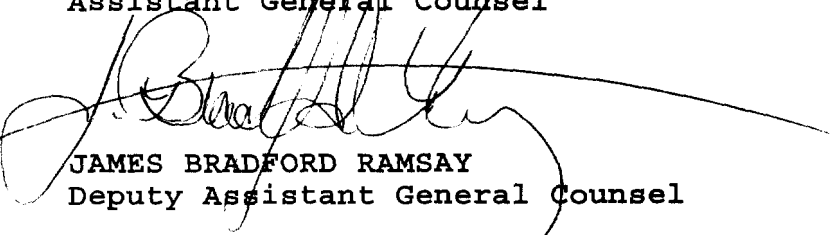
NARUC believes the FCC should consider the Petition in concert with the Docket No. 95-60 - RM-8448 proceeding established to address USTA's petition to increase the current limit on expensing. Administrative burdens associated with maintaining detailed CPR's for the general support assets identified in the instant petition will be directly impacted by the decision made in RM-8448.

A review should be undertaken to determine whether the administrative problems discussed in the Petition could be alleviated by an increase in the limit for expensing or a combination of the two proposals. In the event the FCC chooses not to take this approach, NARUC believes that no action should be taken on the Petition until the NPRM is finalized.

  
Respectfully submitted,

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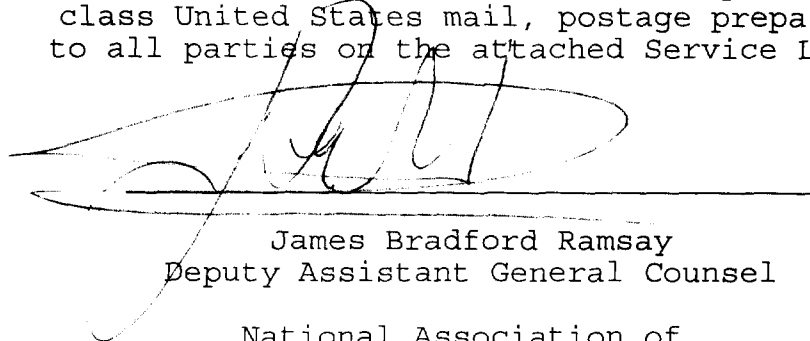
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CERTIFICATE OF SERVICE

I, JAMES BRADFORD RAMSAY, certify that  
a copy of the foregoing was sent by first  
class United States mail, postage prepaid,  
to all parties on the attached Service List.



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Deputy Assistant General Counsel

National Association of  
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July 5, 1995

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